

## Message Text

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21

ORIGIN EB-07

INFO OCT-01 EUR-12 ISO-00 L-03 CIAE-00 COME-00 DODE-00

DOT-00 FMC-02 INR-07 NSAE-00 CG-00 OFA-01 DLOS-05

AID-05 CEA-01 EA-10 FRB-01 IO-10 NEA-10 OPIC-06 SP-02

TRSE-00 CIEP-02 LAB-04 SIL-01 OMB-01 /091 R

DRAFTED BY EB/TT/MA:JPSTEINMETZ:BST

APPROVED BY EUR/RPE:JTARRANT

FMC:WJSMITH

MARAD:FRAITER

COM/IEPR:EANTOUN

DOT:PLARSON (SUBS)

IO/CMD:RHINES (SUBS PARA 9)

L/EB:FWILLIS

E/ITP/GCP:HCBLACK (SUBS PARA 9)

TREAS:DHENG (SUBS PARA 7(III))

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R 292249Z MAY 75

FM SECSTATE WASHDC

TO USMISSION OECD PARIS

UNCLAS STATE 125322

E.O. 11652:N/A

TAGS: EWWT, OECD

SUBJECT:OECD MARITIME TRANSPORT COMMITTEE MEETING,  
JUNE 3-4, 1975

REF: OECD MT/A(75)1

GUIDANCE FOR US DEL TO SUBJECT MEETING KEYED TO PROVISIONAL  
AGENDA (MT/A(75)1) FOLLOWS:

1. AGENDA MT/A(75)1) OKAY.  
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2. ELECTION OF OFFICER. US DEL MAY SUPPORT RE-ELECTION OF  
WORM (DENMARK) TO CHAIR MTC AND ROWLAND (AUSTRALIA) AND  
GEORGACOPOULOS (GREECE) AS VICE-CHAIRMEN. SINCE WORM  
WILL BE UNABLE TO SERVE BEYOND 1975, U.S. DEL SHOULD CONSULT

WITH OTHER DELEGATIONS RE POSSIBLE SUCCESSOR ACCEPTABLE TO THE GROUP.

3. SUMMARY RECORD (MT/M(75)1) AND CONFIDENTIAL ANNEX ARE SATISFACTORY FROM US STANDPOINT.

4. COMMERCIAL SHIPPING MATTERS (MT(75)4). US DEL MAY NOTE REPORT ON SHIPPING SITUATION AND DEVELOPMENTS IN THE FREIGHT MARKET.

5. REPORT ON GENERAL DEVELOPMENTS

(I) GENERAL INFORMATION REPORT (MT(75)3) MAY BE NOTED.

(II) COE DRAFT REPORT ON EUROPEAN SHIPPING POLICY (DAF/MTC/75.14). FYI. AMCONSUL STRASBOURG REPORTS BOTH VERSIONS OF COE REPORT ARE DRAFTS, NOT APPROVED BY COE ASSEMBLY'S COMMITTEE ON ECONOMIC AFFAIRS AND DEVELOPMENT AND NO REAL SIGNIFICANCE NEED BE GIVEN TO PRESENT DIFFERENCES. MOREOVER, IT IS NOT EXPECTED THAT THE CALL FOR EARLY RATIFICATION OF UN CODE OF CONDUCT FOR LINER CONFERENCES IN THE SECOND COE DRAFT WILL BE ACCEPTED BY THE FULL COMMITTEE, LET ALONE BY THE ASSEMBLY BECAUSE OF DIFFERENCES BETWEEN MEMBER STATES. END FYI.

(III) ORAL REPORTS ON LOS CONFERENCE AND OECD COUNCIL OF MINISTERS MEETING MAY BE NOTED.

6. SHIPPING POLICY MATTERS (KEYED TO DAF/MTC/75.8 PARAGRAPHS AND ADDENDA).

(1) BRAZIL/MEXICAN AGREEMENT. US DEL MAY POINT OUT IT IS INCORRECT TO ASSUME THIS AGREEMENT, IN PRACTICE, WOULD APPLY ONLY TO GOVERNMENT CARGOES. ARTICLE 1 THEREOF STATES "GOODS TRADED BETWEEN THE TWO COUNTRIES MUST BE OBLIGATORILY SHIPPED IN BRAZILIAN AND MEXICAN VESSELS, INCLUDING CARGOES RECEIVING GOVERNMENTAL SUPPORT IN EITHER UNCLASSIFIED

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OF THE TWO COUNTRIES."

(2) ARGENTINA - RE LAST SENTENCE US DEL MAY STATE INFORMATION AVAILABLE INDICATES IT UNLIKELY ARGENTINA, BRAZIL OR PERU WILL RATIFY LAFTA AGREEMENT. REPORTEDLY THESE GOVERNMENTS VIEW IT AS OUTDATED BECAUSE OF SUBSEQUENT DEVELOPMENTS RE SHIPPING IN INTERNATIONAL FORA AND THEIR PREFERENCE TO PURSUE THEIR MARITIME GOALS IN REGION AND ELSEWHERE ON A ONE-TO-ONE BASIS AS EVIDENCED BY THE NUMBER OF BILATERAL MARITIME TREATIES CONCLUDED. INTERESTINGLY, SPIRIT OF LAFTA AGREEMENT IS MAINTAINED BY INCLUSION OF PROVISIONS IN TREATIES WITH OTHER LA GOVERNMENTS WHICH PROVIDE PREFERENTIAL TREATMENT FOR LAFTA MEMBERS' VESSELS ON THE BASIS OF RECIPROCITY.

(3) VENEZUELA - REPORTS AVAILABLE INDICATE NO IMPROVEMENT IN PORT CONGESTION PROBLEM PUERTO CABELLO AND THAT NO IMMEDIATE ACTION HAS BEEN TAKEN OR PLANNED TO RESOLVE PROBLEM. SOME VESSELS HAVE BEEN REDIRECTED TO OTHER VENEZUELAN PORTS WHERE SITUATION HAS DETERIORATED ALSO.

(5) UNITED STATES.

(A) US/USSR MARITIME AGREEMENT. DEL MAY REPORT DISCUSSIONS ON RENEGOTIATION OF AGREEMENT CURRENTLY IN PROGRESS IN WASHINGTON. REPORT THEREON WILL BE MADE AT NEXT MTC MEETING. LATEST AVAILABLE CARRIAGE FIGURES UNDER EXISTING AGREEMENT MAY BE MADE AVAILABLE TO THE COMMITTEE.

(B) BILLS OF INTEREST BEFORE CONGRESS ARE: NEW OIL CARGO PREFERENCE LEGISLATION (H.R.1071 AND OTHERS) -- INTRODUCED, BUT NO FURTHER ACTION TAKEN; INTERMODAL BILLS (H.R.1069 AND 1080) -- INTRODUCED, NOTHING FURTHER YET SCHEDULED; THIRD FLAG BILL (S.868) -- INTRODUCED, UNDER ACTIVE CONSIDERATION, SEVERAL MINOR CHANGES MADE, NOTHING FURTHER TO REPORT AT THIS TIME; AND TRANSPORTATION OF PASSENGERS BETWEEN US PORTS BY FOREIGN FLAG VESSELS (H.4.1288) -- INTRODUCED, BUT UNLIKELY HEARINGS WILL BE HELD OR THAT IT WILL RECEIVE MUCH SUPPORT.

(ADDENDA 3) PHILIPPINES DECREE NO. 667. LATEST REPORT UNCLASSIFIED

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AVAILABLE TO US IS THAT GOP HAS NOT IMPLEMENTED DECREE. POSSIBILITY REMAINS HOWEVER OF GOP EFFECTING DECREE JUST PRIOR TO DATE FOR FILING OF TAX RETURNS OR BY INDIRECT MEANS.

(NEW ITEM) LATIN AMERICAN/CARIBBEAN SHIPPING VENTURE (EMPRESA NAVIERA MULTINATIONAL DEL CARIBE OR NAMUCAR). UK MAY MAKE ORAL REPORT ON MULTINATIONAL SHIPPING COMPANY BEING PROMOTED BY MEXICO, VENEZUELA AND OTHERS REPORTEDLY TO SUPPLEMENT SHIPPING SERVICES IN THE CARIBBEAN AREA, AND WHICH IS EXPECTED TO BE FORMALIZED AT SAN JOSE MEETING WEEK OF MAY 26. A NUMBER OF SMALLER COUNTRIES HAVE RESERVATIONS WITH RESPECT TO PARTICIPATION. US HAS FOLLOWED DEVELOPMENTS. HOWEVER, THERE IS LITTLE CONCRETE INFORMATION AVAILABLE ON WHETHER AGREEMENT WILL INCLUDE NONCOMPETITIVE MEASURES FAVORING THE NEW COMPANY. US EXPECTS TO ASSESS IMPACT AND CONSIDER WHETHER ANY ACTION NECESSARY ONCE RESULTS OF SAN JOSE MEETING KNOWN.

(NEW ITEM) DEL MAY REPORT ON IVORY COAST IMPOSITION OF FINES FOR VARIOUS TYPES OF SHIPPING INTRAFRACTIONS WHICH APPEARS TO HAVE REACHED SIGNIFICANT PROPORTIONS.

7. CLAUSES IN SHIPPING TREATIES.

(I) NATIONAL VERSUS MFN TREATMENT. U.S. DEL MAY NOTE THAT US HAS FOUND BOTH NATIONAL AND MFN TREATMENT PROVISIONS IN TREATIES TO BE HELPFUL AT TIMES IN RESOLVING DISCRIMINATORY SHIPPING PROBLEMS. DEL MAY POINT OUT,

HOWEVER, THAT IN SEVERAL INSTANCES WHERE COUNTRIES HAVE INSTITUTED DISCRIMINATORY PRACTICES, MFN PROVISIONS HAVE PROVED OF NO HELP FOR THE SIMPLE REASON THE DISCRIMINATING COUNTRIES HAVE DECIDED NOT TO LIVE UP TO THEIR MFN OBLIGATIONS. WHERE CARGO SHARING SCHEMES, ETC. HAVE BEEN EFFECTED UNDER THE MANTLE OF A MULTILATERAL OR OTHER INSTRUMENT, THE ARRANGEMENTS THEREIN HAVE BEEN CONSIDERED TO TAKE PRECEDENCE OVER ANY OBLIGATIONS ASSUMED PRIOR THERETO. DEL MIGHT ADD THAT LARGE VOTE FOR ADOPTION OF CODE OF CONDUCT, WHICH INCLUDED MANY OECD MEMBERS, CAN ONLY SERVE TO INCREASE MOMENTUM FOR SUCH UNCLASSIFIED

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PRACTICES IN THE FUTURE WITH MORE AND MORE COUNTRIES HAVING LITTLE OR NO COMPUNCTION WITH RESPECT TO VIOLATING PREVIOUS COMMITMENTS SUCH AS MFN OBLIGATIONS.

(II) SECRETARIAT REPORT ON "COUNTRIES ACCEPTABLE TO BOTH PARTIES" CLAUSES AS THEY PERTAIN TO RECENT MARITIME AGREEMENTS WITH THE PRC MAY BE NOTED.

(III) FREEDOM FROM DOUBLE TAXATION. DEL MAY REFER TO FOLLOWING AS APPROPRIATE DURING DISCUSSION. U.S. PRACTICE WITH RESPECT TO DOUBLE TAXATION TREATIES, WHICH USUALLY COVER NUMEROUS ADDITIONAL SUBJECTS BESIDES SHIPPING, DIFFERS FROM THAT SET FORTH IN OECD DRAFT MODEL CONVENTION WHICH EMPHASIZES "PLACE OF EFFECTIVE MANAGEMENT." WHERE TREATIES EXIST, IRS CODE GRANTS RECIPROCAL EXEMPTION ON BASIS OF DUAL TEST--RESIDENCY (PLACE OF INCORPORATION) AND FLAG OF VESSEL REGISTRATION. U.S. CAN APPRECIATE GERMAN CONCERN; HOWEVER, IT IS SOMEWHAT UNREALISTIC TO EXPECT DEVELOPING COUNTRIES, ESPECIALLY THOSE WITH LITTLE OR NO MARITIME CAPABILITY TO AGREE TO FULL RELIEF FROM DOUBLE TAXATION FOR SHIPPING WITHOUT SOME EQUIVALENT QUID PRO QUO. RECENT US POLICY HAS BEEN TO VIEW SHIPPING AS BUT ONE OF MANY AREAS ON WHICH AGREEMENT IS SOUGHT. SINCE BILATERAL TAX PROBLEMS VARY FROM COUNTRY TO COUNTRY, BILATERAL TREATY PROVISIONS ALSO VARY ACCORDINGLY. IN SEVERAL RECENT CASES, TREATMENT OF SHIPPING HAS DIFFERED. FYI. UNPUBLISHED TREATIES WITH BOTH KENYA AND INDONESIA PROVIDE FOR PARTIAL, BUT NOT TOTAL RELIEF, OF SHIPPING FROM TAXATION.

8. FLAGS OF CONVENIENCE

(I) REPORT OF THE AD HOC GROUP ON FLAGS OF CONVENIENCE  
(DAF/MTC/75.18) MAY BE NOTED.

(II) PROPOSALS FOR FURTHER ACTION (DAF/MTC/75.21 AND  
ADDENDA 1 TO 3). US DEL MAY SUPPORT DERESTRICTION OF  
REPORT AND THOSE ASSOCIATED STUDIES AS SUGGESTED IN PARA  
4(1), REF DOC, ON WHICH THERE IS GENERAL AGREEMENT. ON  
PARA 4 (II) SUGGESTION, US DEL SHOULD NOT OPPOSE ANY NEW  
MANDATE FOR AD HOC GROUP ON OTHER ASPECTS OF FOC  
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OPERATIONS. DEL MAY POINT OUT, HOWEVER, THAT PAST  
DIFFICULTIES IN OBTAINING INFORMATION ON FOC OPERATIONS  
FROM OTHER THAN US SOURCES (WHICH BY THE WAY, SHOW US  
FOC OPERATIONS TO BE AT LEAST THE EQUAL OF MANY OECD  
STATES) DOES NOT AUGUR WELL FOR ANY FUTURE FOC EFFORT  
THAT MAY BE UNDERTAKEN. DEL MAY THEREFORE SUGGEST THAT  
SINCE ROLE OF OPERATOR AND NOT NECESSARILY THAT OF THE  
FLAG, HAS BEEN SHOWN TO BE MAJOR FACTOR, A BETTER  
APPROACH FOR ANY NEW MANDATE FOR THE AD HOC GROUP MIGHT  
BE TO FOCUS ON THE PROBLEM OF SUBSTANDARD VESSELS  
GENERALLY, RATHER THAN JUST SINGLING OUT FOC OPERATIONS.  
RE SUGGESTION CONTAINED PARA 4(III) FOR ACTION ALONG LINES  
IN FRENCH PROPOSAL, ANNEX I. DAF/MTC/75.21, US DEL SHOULD  
ALLOW NORWAY AND UK TO TAKE LEAD IN DISCUSSION. COMMENTS  
OF THESE TWO COUNTRIES CONTAINED IN ADDENDA 1 TO 3 ARE  
PERTINENT FOR US AND DEL MAY SUPPORT THEIR INITIATIVES,  
PARTICULARLY ON PARAGRAPHS B THROUGH F. ACTION IS  
ALREADY IN PROGRESS ON THE PROPOSAL IN ANNEX II. RE  
ANNEX III, WE SEE NO PROBLEM WITH SUGGESTION 1, WHEREAS  
NUMBER 2 POSES PROBLEMS FOR US FROM STANDPOINT OF INTER  
ALIA NATIONAL LEGISLATION AND SHOULD NOT BE SUPPORTED.

#### 9. UNCTAD

(I) ELECTION OF CHAIRMAN FOR OECD SPECIAL GROUP ON  
UNCTAD SHIPPING QUESTIONS. DEL MAY SUPPORT ELECTION OF  
HINZ (FRG).

(II) UN LINER CODE CONVENTION (DAF/MTC/75.22). DOC NOT  
RECEIVED, BUT DEL SHOULD BE FAMILIAR WITH CURRENT STATUS  
OF PLAY AS SET FORTH IN OECD PARIS 11977 AND 8, 12919,  
13141 AND STATE 121253. PRIOR TO MTC MEETING DEL SHOULD  
REVIEW MOST RECENT DEVELOPMENTS WITH OECD PARIS MISSION.  
AS OF COB MAY 29, STATUS ON CODE SIGNATURE IS 11  
COUNTRIES (PHILIPPINES, IRAN, GABON, ECUADOR, GUATEMALA,  
YUGOSLAVIA, INDONESIA, IVORY COAST, GHANA, COAST RICA  
AND MALTA) HAVE SIGNED, ALL SUBJECT TO RATIFICATION,  
REPRESENTING 3.48 PERCENT OF TOTAL WORLD TONNAGE.

(III) AD HOC MEETINGS ON DEVELOPMENT COOPERATION AND  
PROSPECTS FOR UNCTAD IV (NO DOC.). SECRETARIAT EXPECTED

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TO REPORT ON MARCH DAC MEETING RE OECD PREPARATION FOR UNCTAD IV. ANOTHER DAC MEETING ON SUBJECT WILL BE HELD SAME WEEK OF MTC SESSION.

(IV) DEL MAY NOTE SECRETARIAT'S REPORT ON 4TH SESSION, UNCTAD WG ON ISL (DAF/MTC/75.12).

(V) UNCTAD SECRETARIAT PRACTICES (NO DOC). ITEM IS ON AGENDA AT REQUEST OF UK WHICH WILL GIVE ORAL PRESENTATION. DEL MAY SUPPORT IDEA OF UNDERTAKING EFFORTS TO DEAL WITH UNCTAD SECRETARIAT'S PRACTICE OF PREPARING STUDIES WITHOUT CLEAR MANDATE. ANY CONCRETE PROPOSALS, HOWEVER, SHOULD BE REFERRED TO DEPT FOR CONSIDERATION. FYI. SECRETARIAT'S PRACTICE IN THIS REGARD WAS MAJOR TOPIC AT MEETING OF WORKING PARTY ON UNCTAD PROGRAMS BUDGET, APRIL 21-25. END FYI.

10. ANNUAL REPORT FOR 1975 (DAF/MTC/75.23). DEL MAY AGREE TO INCLUSION OF SPECIAL CHAPTER ON "ENERGY TRANSPORT BY SEA IN A NEW CONTEXT" AS OUTLINED REF DOC FOR INCLUSION IN 1975 REPORT.

11. CONSULTATION EXERCISE (DAF/MTC/75.24). DOC NOT RECEIVED YET. USG QUESTIONS THEREFOR CABLED TO SECRETARIAT VIA OECD MISSION MAY 28. DEL SHOULD SUPPORT HOLDING OF EXERCISE.

12. USG HAS NO PROBLEM WITH DAF/MTC/75.25 RE WORK PROGRAM OF THE MTC FOR 1976. INGERSOLL

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## Message Attributes

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